

# **Audit of Certain USAID/Bolivia Fiscal Year 2001 Financial Operations**

**Audit Report No. 1-511-02-002-F**

**May 3, 2002**

**Regional Inspector General / San Salvador**



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

*RIG/San Salvador*

May 3, 2002

## **MEMORANDUM**

**FOR:** USAID/Bolivia Director, Liliana Ayalde

**FROM:** Acting Regional Inspector General, Steven H. Bernstein

**SUBJECT:** Audit of Certain USAID/Bolivia Fiscal Year 2001 Financial Operations (Report No. 1-511-02-002-F)

This memorandum is our report on the subject audit.

This report does not contain any recommendations for your action. Your comments to our draft report have been included, in their entirety, as Appendix II.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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## **Summary of Results**

As part of its fiscal year 2002 audit plan, the Regional Inspector General/San Salvador performed this audit to determine whether USAID/Bolivia's advances and disbursements were processed in accordance with USAID policies and applicable laws and regulations (see page 4).

Overall, USAID/Bolivia's advances and disbursements were processed in accordance with USAID policies and applicable laws and regulations (see pages 4 and 5).

However, over a third of the time check data, which is needed to provide a complete record of compliance with prompt payment requirements, was not entered into the electronic voucher tracking system (see page 5).

USAID/Bolivia agreed with the report and our findings (see page 5).

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## **Background**

This report focuses on USAID/Bolivia's procedures for processing advances and disbursements. During fiscal year 2001, USAID/Bolivia made 442 advances, with a total amount of \$16.5 million. During the same year, USAID/Bolivia made 14,477 disbursements with a total amount of \$105 million<sup>1</sup>. These transactions include those from USAID/Brazil and USAID/Paraguay since USAID/Bolivia is the accounting station for these two missions.

USAID/Bolivia's Office of the Controller, which is the focal point in USAID/Bolivia for financial operations, has 25 staff including a Controller, Deputy Controller, five financial analysts, six voucher examiners, one payment coordinator, five accountants, two supervisors, three secretaries and one file clerk.

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## **Audit Objective**

As part of its fiscal year 2002 audit plan, the Regional Inspector General/San Salvador performed an audit to answer the following audit objective:

- Were USAID/Bolivia's advances and disbursements processed in accordance with USAID policies and applicable laws and regulations?

Appendix I describes the audit scope and methodology.

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<sup>1</sup> As explained in Appendix I

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## Audit Findings

### **Were USAID/Bolivia's advances and disbursements processed in accordance with USAID policies and applicable laws and regulations?**

USAID/Bolivia's advances and disbursements were properly processed in accordance with USAID policies and applicable laws and regulations, except that check data needed to be entered into the mission's MACSTRAX<sup>2</sup> payment tracking system.

With respect to advances, based on an examination of sample transactions as described in Appendix I:

- Advance requests were approved by project officers as required.
- Advance requests were reviewed and approved by Controller's Office personnel in accordance with USAID policies and procedures.
- Advances were certified by the authorized certifying officer as required.
- The amount advanced agreed with the supporting documentation for all advances.

Regarding advances, the audit showed that the mission had internal controls in place to limit the advances provided to 30 days' cash needs.

With respect to disbursements, based on a review of sample transactions as described in Appendix I:

- All vouchers were annotated with the date they were received.
- Payments were made on time in all but one project-type payment in our sample and the mission paid the appropriate interest on this payment. All administrative-type payments<sup>3</sup> were made on time.
- All of the vouchers were arithmetically correct.
- Payments were made to correct payees.

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<sup>2</sup> MACSTRAX is an electronic voucher tracking system within the Mission Accounting and Control System (MACS).

<sup>3</sup> For audit purposes we defined project-type and administrative-type payments as follows: (1) project-type payments are expenses of assistance activities that are not of a routine nature and typically involve relatively large dollar amounts; and (2) administrative-type payments are expenses charged to operating expense appropriations, such as travel vouchers, salary, lease, and utility expenses, and other payments of a routine nature for relatively small dollar amounts.

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- All payments were substantially in compliance with the underlying agreements.
  - Payment information was recorded correctly in the accounting system and payment tracking system for all payments.

However, as discussed in the following section, USAID/Bolivia check data needed to be entered into MACSTRAX.

### **Check Data Needs to be Entered Into MACSTRAX**

Automated Directives System (ADS) 630 states that voucher tracking systems should facilitate timely payment of invoices in accordance with the Prompt Payment Act. MACSTRAX check data is needed to provide a complete record of mission compliance with prompt payment requirements. This data also serves to settle payment disputes with vendors. Check data, which provides the date of payment, the check number and exchange rates, was not entered into MACSTRAX in 37 percent of the items tested. USAID/Bolivia Financial Management (FM) officials told us that previously their MACSTRAX coordinator entered check data manually. However, this position was eliminated and this duty was performed intermittently by a secretary and a temporary employee. Subsequently, FM officials stated that a new MACSTRAX coordinator was hired in January. FM officials provided documentation to demonstrate that entering this check data is one of the specified tasks for this employee. Since the mission has already taken corrective action we are not making a recommendation.

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### **Management Comments and Our Evaluation**

USAID/Bolivia agreed with the report and findings in its comments to our draft report.

## Scope and Methodology

### Scope

The Regional Inspector General/San Salvador conducted an audit of certain USAID/Bolivia fiscal year 2001 financial operations. The audit was performed in accordance with generally accepted government auditing standards at USAID/Bolivia from November 26, 2001 through December 13, 2001.

The audit examined USAID/Bolivia's fiscal year 2001 financial operations related to cash advances and disbursements. It did not cover any other USAID/Bolivia financial operations.

We used statistical sampling techniques to draw the samples used in this audit. A 90 percent confidence level with plus or minus 5 percent precision limit and expected occurrence rate of 5 percent was used for all samples. For advances, this resulted in a sample of 40 items for project-type advances and 44 items for administrative-type advances. For disbursements, the initial sample was 47 project-type sample items and 52 administrative-type sample items. However, regarding disbursements, due to time constraints we were unable to review all items in the original random sample. As a result, we judgmentally selected from the original sample 30 items for project-type payments and 10 items for administrative-type payments.

We assessed the mission's risk exposure and management controls over the advance and payment processes. We interviewed USAID/Bolivia officials and reviewed the mission's self-assessment of its adherence to the Federal Managers' Financial Integrity Act of 1982 in its October 2001 report. The following mission controls over advances and disbursements were then assessed. Regarding advances, we determined (1) whether the recipient requested advances, (2) if mission personnel reviewed the recipient's request for advances for compliance with the underlying agreement, (3) if the mission analyzed the recipient's advance request for reasonableness, (4) if approvals by the project officer and certifications by the controller's office staff were obtained. In regards to disbursements we determined (1) whether vouchers were correctly received, (2) if vouchers were reviewed for accuracy and correctly processed, (3) if approvals by the project officer and certifications by the controller's office staff were obtained, and (4) if these transactions were correctly entered into the Mission Accounting and Control System.

As part of the audit, we also assessed compliance with the Office of Management and Budget, 5 Code of Federal Regulations part 1315, Prompt Payment; Final Rule. We did not assess compliance with any other laws and regulations applicable to the audit objective.

## Methodology

The audit objective was to determine if USAID/Bolivia's advances and disbursements were properly processed in accordance with USAID policies and applicable laws and regulations.

In examining advances, we used queries developed by USAID/Bolivia's Chief Accountant to obtain from the Mission Accounting and Control System (MACS) a list of all advances by USAID/Bolivia during fiscal year 2001. We compared the total advances from the U-101<sup>4</sup> to the list of advances from the queries to verify that this list was complete.

In examining advances, we reviewed a random sample of 40 project-type and 44 administrative-type advances during fiscal year 2001. The population of all advances made during fiscal year 2001 and the sample of project and administrative advances we reviewed are compared in the following table:

Population	Number	Amount (millions)
Project-type Advances	173	\$12.9
Administrative-type Advances	269	\$3.6
Total	442	\$16.5

  

Sample	Number	Amount (millions)
Project-type Advances	40	\$3.2
Administrative-type Advances	44	\$1.3
Total	84	\$4.5

For each sample item, we reviewed documentation and interviewed USAID/Bolivia personnel to verify that:

- Requests for advances were approved by the project officer,
- The Controller's Office certified the advances for payment,
- Vouchers were reviewed and approved by Controller's Office personnel consistent with USAID/Bolivia and USAID policies and procedures,
- Amounts advanced agreed with the supporting documentation, and
- Periods covered by the advances were in accordance with USAID policies.

<sup>4</sup> The U-101 report is a standard financial report produced by MACS and is the Summary of Budget Allowance Ledger Transactions and Reconciliation with Disbursing Office Accounts.

## Appendix I

In examining disbursements, we used queries developed by USAID/Bolivia's Chief Accountant to obtain from MACS a list of all disbursements during fiscal year 2001. We compared the total disbursements from the U-101 to the list of disbursements from the queries to verify that this list was complete. We noted a difference of \$665,965 (0.63 percent) between the queries and the U-101. With the assistance of USAID/Bolivia, we tried to determine the reasons for this difference, but could not. Due to time constraints, we used the results of the queries to conduct the audit. We divided the list into project-type disbursements and administrative-type disbursements.

We made this distinction by including all operating expense disbursements, as well as payments under travel authorizations, personal services contracts, participating agency service agreements, payment requests, and certain On-line Payment and Collection (OPAC) charges in the latter group.

We then drew two samples of disbursements for detailed review. Our method for selecting the samples is explained in the scope section. Since project-type disbursements present a higher degree of inherent risk and because of their relatively high value and non-routine nature, we drew a sample of 30 project-type disbursements. Because administrative-type disbursements present a lower degree of inherent risk, we drew a sample of 10 administrative-type disbursements for detailed review. The populations and samples reviewed are compared in the following table:

Population	Number	Amount (millions)
Project-type disbursements	499	\$47.9
Administrative-type disbursements	13,770	\$11.7
Online Payments and Collections (OPAC)	208	\$45.4
Total	14,477	\$105.0

  

Sample	Number	Amount (millions)
Project-type disbursements	30	\$1.700
Administrative-type disbursements	10	\$.002
Total	40	\$1.702

For each sample item, we performed the following steps:

- Verified that the date the voucher was received was annotated on the face of the voucher.
- Traced each voucher through the payment process from the time it was received until it was paid, noting the dates it was received, certified for payment, and actually paid.

- Verified the arithmetical accuracy of each voucher.
- Compared the payment request with the terms and provisions of the underlying contract, agreement, or appropriate commitment document to verify that the payment request was in compliance with the contract or agreement.
- Compared the payee shown in the payment request to the payee shown in the contract or agreement.
- Verified that each payment was made within the time permitted for payment (generally 30 days unless the contract or agreement provides for a different payment period) and that interest was added to any late payments.
- Compared the information recorded in the MACS and the payment tracking system for each payment to source documents to verify that the information was accurate.

In performing the audit tests described above, we considered non-compliance exceeding 5 percent of the cases reviewed (by number) to represent material non-compliance.

**Management  
Comments**

**UNITED STATES GOVERNMENT  
Memorandum**

FMO-02/159

DATE : April 22, 2002

REPLY TO  
ATTN OF: Liliana Ayalde, USAID Bolivia Mission Director

SUBJECT: Audit of Certain USAID/Bolivia Fiscal Year 2001 Financial  
Operations (Report No. 1-511-02-0XX-F)

TO: Tim Cox, Regional Inspector General/San Salvador

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This memorandum is our response to the draft report on subject audit which contained no fundings.

We noted your comment on check data that needed entry into Macstrax. Please be advised that in January 2002 our new Macstrax Coordinator was hired. As of today, all check data has been entered into Macstrax and is current.

We request that you include these comments in your final report.